

# HIGHER EDUCATION

The May Revision for the University of California (UC) and California State University (CSU) remains consistent with the Higher Education Compact, and includes workload adjustments to the Cal Grant program and a policy proposal to increase funding for nursing enrollments for CSU.

As discussed in the Introduction and Maximizing the Value of Public Assets sections, the Administration also proposes to privatize the Student Aid Commission's (CSAC) non-profit loan guarantee organization, EdFund, which will enable the state to receive one-time revenues estimated at \$1 billion. As a consequence of this transaction, the state will resume funding for the cost of the Commission's state operations and financial aid awareness programs. This proposal will not affect the availability of low-cost student loans to California's college and university students. The Administration proposes that any sale ensure that the purchasing agency maintains the California loan guarantee function.

For the California Community Colleges (CCC), both workload and policy expenditure revisions are proposed. The changes are driven by the revised Proposition 98 guarantee for the current and budget years as discussed in the K-12 section, revised property tax revenues that are estimated to increase over the January figures in both current and budget years, and base adjustments related to enrollment declines in the CCC that have been reconciled for the current and prior years. The revised current-year guarantee and new estimates of the Proposition 98 Reversion Account provide significant one-time funding for Community Colleges totaling over \$152 million, with \$100 million reflected in the current year.

Overall General Fund and related Proposition 98 expenditure growth for 2007-08 for higher education increases by 5.7 percent over the current year revised level in the May Revision, as compared with the 6.4-percent growth referenced in the Governor's Budget Summary.

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However, this reduced percentage is driven by increased current-year expenditures due to the additional amounts appropriated for CCC in satisfaction of the revised 2006-07 Proposition 98 guarantee. When considering that current-year funding for CCC will be available for expenditure in the budget year, the May Revision increases overall General Fund and Proposition 98-related funding for the two-year period for Higher Education by approximately \$53 million.

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### UNIVERSITY OF CALIFORNIA

- 2006-07 No Change
- 2007-08 No Change in General Fund

#### BUDGET YEAR

- A workload increase of \$2 million in Proposition 99 funds is proposed to provide additional funding for tobacco-related research on a one-time basis, reflecting fund balances available from prior years.
- Trailer bill language is proposed to specify the state's intent to reinstate the employer share of future contributions to the UC retirement plan, reflecting actuarial calculations that indicate an impending shortfall within two years for the first time since the early 1990's.

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### CALIFORNIA STATE UNIVERSITY

- 2006-07 No Change
- 2007-08 \$3.6 million General Fund

#### BUDGET YEAR

- \$3.6 million General Fund is proposed to support an additional 340 full-time equivalent undergraduate nursing students in the budget year in recognition of overall cost pressures on the CSU and the need to continue to increase nursing enrollments.

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### CALIFORNIA STUDENT AID COMMISSION

- 2005-06 -\$2 million General Fund
- 2006-07 -\$24.3 million General Fund
- 2007-08 -\$20 million General Fund

**PRIOR YEAR**

- Additional workload savings of \$2 million is estimated for prior-year Cal Grant Program awards.

**CURRENT YEAR**

- Workload savings of \$23 million is estimated for current-year Cal Grant Program awards, reflecting lower than anticipated transfer entitlement awards and shifts of students to lower-cost institutions in the high school entitlement program.
- Workload savings of \$1.3 million is estimated for current-year payments for the Assumption Program of Loans for Education (APLE).

**BUDGET YEAR**

The May Revision proposes a net General Fund decrease of \$20 million over the level proposed in the Governor's Budget, as noted below:

- Workload savings of \$42.8 million associated with revised estimates for Cal Grant Program awards that will be issued in 2007-08 based on trends noted for the current year.
- A workload increase of \$2.5 million to fund revised estimates of payments for the APLE program.
- An increase of \$20.3 million to shift the cost of the Commission's state operations and financial aid awareness (CalSOAP) to the General Fund in recognition of the proposed sale of EdFund, the Commission's auxiliary loan guarantee agency.

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## CALIFORNIA COMMUNITY COLLEGES

- 2006-07 \$115 million net General Fund and Proposition 98 Related Sources
- 2007-08 \$9 million net General Fund and Proposition 98 Related Sources

**CURRENT YEAR**

The May Revision proposes one-time Proposition 98 General Fund policy increases of \$100 million from amounts owed for the current year guarantee. These adjustments will be addressed through budget trailer bill legislation, and include:

- \$50 million for career technical education equipment and associated facility reconfigurations. These funds will help ensure student access to state-of-the-art equipment necessary for developing relevant career technical skills needed in the workplace of today and tomorrow.

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- \$50 million for grants to colleges for equipment and other one-time uses for nursing programs in order to assist the colleges' enrollment expansion efforts in meeting the demands of the statewide nursing shortage.
- The May Revision also reflects increases in estimated property tax revenue of \$15.1 million and \$1.8 million in oil and mineral revenue over the January estimate that drives additional reversions of current year funds in those amounts.

### BUDGET YEAR

The May Revision proposes significant ongoing budget adjustments for the CCC that will increase total General Fund and Proposition 98-related sources by a net \$9 million compared to the Governor's Budget, including an increase of \$5.6 million in ongoing Proposition 98 General Fund. Major ongoing Proposition 98 General Fund policy adjustments for the CCC include the following:

- Increases of \$23.6 million for apportionments and \$1.6 million for selected categorical programs to reflect an increase in the COLA factor from 4.04 percent to 4.53 percent.
- A base reduction of \$80 million in apportionments to reflect excess current year and prior year growth funding that will revert based on the most recent enrollment information available from the Chancellor's Office. Notwithstanding this adjustment, when coupled with the 2-percent growth funding provided in the Governor's Budget, apportionment funding is sufficient to enable the system to increase full-time equivalent instructional workload by at least 3 percent over estimated current year actual workload levels.
- An increase of \$10 million to the Matriculation program schedule, providing colleges with additional resources to assist students' progress towards their educational goals. This amount is coupled with modifications in the Administration's Community College Student Success Initiative to more closely align with the community college system's fall basic skills proposal.
- An increase of \$500,000 for the Foster Care/Kinship Program to maintain and augment the ongoing program level.
- An increase of \$1.9 million for matching grants to assist colleges with ongoing costs for establishing redundancy for the high-speed network. Redundant circuits will provide greater internet reliability during peak usage time and reduce the incidence of lost connectivity.
- An increase of \$220,000 for a total proposed \$570,000 for Fiscal Crisis and Management Team assistance consistent with the Chancellor's fall request to assist financially struggling districts prevent insolvency.

In addition, the following ongoing Proposition 98 workload adjustments are proposed to conform to revised estimates of local revenues and the base apportionment reduction:

- A decrease of \$5.9 million that offsets an increased estimate of property tax revenues for 2007-08.
- A decrease of \$1.6 million for apportionments to reflect the recalculation of 2-percent growth funding included in the Governor's Budget on a lower base, as discussed previously.
- A decrease of \$1.8 million that offsets an increased estimate of student fee revenues for 2007-08.
- A decrease of \$1.8 million to reflect an offsetting increase in oil and mineral revenues of an identical amount.
- An increase of \$332,000 for the Board of Governor's Fee Waiver program administrative costs to reflect re-estimated student fee revenues.

The May Revision also proposes \$52.7 million in one-time Proposition 98 General Fund increases from the Proposition 98 Reversion Account for the following purposes:

- \$47.5 million for deferred maintenance, instructional equipment, and hazardous substance abatement, pursuant to existing match requirements. These funds will augment ongoing funding to assist colleges in core operational needs beneficial to student learning.
- \$2.7 million for matching grants for one-time technology costs for establishing redundancy to ensure the delivery of high-speed internet service to all colleges.
- \$2.5 million for textbook assistance for students meeting fee waiver eligibility requirements who do not receive textbook assistance under the Cooperative Agencies Resources for Education program.